

AR23

SLATER, WALKER
OF CANADA LIMITED

1971
ANNUAL REPORT

SLATER, WALKER OF CANADA LIMITED

CONTENTS:	Directors and Officers	1
	President's Report to the Shareholders	2
	Review of Major Investments	4
	Financial Statements	6
	Auditors' Report	8
	Major Subsidiary and Associated Companies	13
	Unaudited Pro Forma Consolidated Balance Sheet (Consolidating UNAS Investments Limited)	14

DIRECTORS: J. Pearce Bunting
F.R. Roland Rowe
James D. Slater, F.C.A.
Robert Smith
John A. Tory, Q.C.

OFFICERS: James D. Slater, F.C.A., Chairman
Robert Smith, President
Graeme G. Kirkland, F.C.A., Vice-President
Westell G. Peaker, C.A., Treasurer
J. Garnet Pink, Secretary
Richard W. Brissenden, Assistant-Treasurer

HEAD OFFICE: Suite 1600, Royal Trust Tower,
Toronto-Dominion Centre,
Toronto 111, Ontario.

AUDITORS: Arthur Young, Clarkson, Gordon & Co.

TRANSFER AGENTS: The Canada Trust Company,
Toronto, Montreal, Winnipeg, Regina and Vancouver

LISTINGS: Toronto and Montreal Stock Exchanges

GENERAL COUNSEL: Tory, Tory, DesLauriers & Binnington

SLATER, WALKER OF CANADA LIMITED

PRESIDENT'S REPORT TO THE SHAREHOLDERS

1971 was an eventful year for your Company. It began the year as a distributor of laundry and dry cleaning supplies and equipment in Western Canada under the name Stanley Brock Limited, with total assets of \$2 million, and ended the year as a financial and investment holding company with total assets in excess of \$10 million and major investments in four public companies. Subsequent to the year end total assets increased to over \$25 million as shown in the Unaudited Pro Forma Consolidated Balance Sheet on page 14.

In April 1971 control of Stanley Brock Limited (now Slater, Walker of Canada Limited) was acquired by Slater, Walker Securities Limited of London, England, a major U.K. based holding company in the field of banking, investment banking, insurance and real estate. Since then, your Company has changed the nature of its business, capital structure, management and assets and earnings potential.

The following actions during the second half of 1971 exemplify the new policies of your Company:

JULY The common shares of the Company were split on a 3 for 1 basis.

AUGUST \$2,800,000 was raised by a rights offering to shareholders of 2 new shares at \$5 each for every share (post split) then held.

SEPTEMBER We announced the acquisition of a large interest in Peoples Department Stores Ltd. and an offer to acquire further shares in that company. At the year end we held 44% of the Peoples Stores shares. Peoples Stores is a department store chain which has shown excellent results over the previous five years and its shares are listed on both the Toronto and Montreal Stock Exchanges.

We announced the acquisition of 22% of the share capital of UNAS Investments Limited and the intention to make an offer to acquire a further 44% of that company. The additional 44% was acquired subsequent to the year end. UNAS is a closed-end investment company listed on The Toronto Stock Exchange.

OCTOBER We assumed management control of UNAS and commenced to realize most of its large number of listed and unlisted investments so as to direct its capital into a smaller number of strategic investments.

DECEMBER We negotiated on behalf of UNAS the acquisition of a 28% interest in Alliance Building Corporation Limited, a Toronto Stock Exchange listed real estate development and investment company.

We negotiated on behalf of People Stores the acquisition of a controlling interest in Gordon Mackay & Stores Limited, a department store chain operating throughout Ontario under the well known names of "Walkers" and "Smiths of Windsor". Subsequently, Peoples Stores acquired virtually all the issued Class B voting shares of Gordon Mackay.

It is the policy of your Company to expand and diversify its operations primarily through the acquisition of or investment in a broad range of businesses. In implementing this policy great importance will be placed on businesses which possess substantial assets relative to purchase prices and which have considerable potential for increased

earnings. Minority shareholdings will be purchased in companies where it is felt that the skills and resources of your Company can help those businesses to expand. For example, Gordon Mackay & Stores Limited was a logical extension of the operations of Peoples Stores; your Management negotiated the initial acquisition and assisted Peoples Stores in its bid to acquire the balance of the Class B shares of Gordon Mackay.

In view of the substantial changes in the nature of your Company's business and in its capital structure during 1971, comparison of 1971 financial information with 1970 is not considered meaningful. Consolidated net income for the year amounted to \$139,349 or 29.6¢ per common share. The earnings per share figure, which includes gains on sales of investments of 5.6¢ per common share has been calculated on a weighted average basis and reflects the three for one share split in July 1971 and the shares issued pursuant to the two for one (post split) rights issued at \$5.00 per share in August 1971. 1971 earnings include the Company's 22% interest in the earnings of UNAS from acquisition in September 1971, but they do not include any equity in the earnings of Peoples Stores whose last fiscal year end was July 31, 1971. However, commencing in 1972 the Company intends to include its equity in the earnings of Peoples Stores.

We count 1971 a successful year in which we have laid the foundations for the years to come. We have strengthened management and are confident of our ability to generate continued asset and earnings growth from the investments now under our direction.

On April 14, 1972 it was announced that the Company had agreed subject to verifying certain figures, to acquire all of the equity and certain debentures of R.C. Baxter Properties Limited for an aggregate purchase consideration of approximately \$7.5 million. Baxter Properties is a privately-owned real estate investment company which holds four office buildings, five shopping centres and one apartment building (all income producing properties) in British Columbia, Saskatchewan, Manitoba and Ontario having a total value in excess of \$25 million.

On behalf of the Board of Directors

ROBERT SMITH
President

SLATER, WALKER OF CANADA LIMITED

REVIEW OF MAJOR INVESTMENTS

PEOPLES DEPARTMENT STORES LTD.

PEOPLES DEPARTMENT STORES LTD. operates 45 stores ranging in size from 3,200 sq. ft. to 36,000 sq. ft. of selling space, of which 12 are in Ontario, 29 in Quebec and 4 in Nova Scotia. A further 6 stores are due to be completed in the near future.

Peoples Stores has excellent management and it has a continuous record of increased earnings over the past five years from \$304,000 (26¢ per share) in 1967 to \$713,000 (59¢ per share) in 1971. Peoples Stores is enjoying an excellent current financial year and for the six months ended January 31, 1972, its unaudited earnings were \$522,067 (or 43¢ per share) as compared with \$356,220 (or 30¢ per share) for the same period in the previous year. This is an increase of over 46%.

GORDON MACKAY & STORES LIMITED operates 41 stores ranging in size from 1,600 sq. ft. to 56,000 sq. ft. of selling space in Ontario under the names of "Walkers" and "Smiths of Windsor".

On February 18, 1972, Peoples Stores made a public offer to acquire the balance of the Class B voting shares of Gordon Mackay and its holding has now increased to over 99%.

Your Company acted as financial advisers to Peoples Stores in the public offer and has been helping Peoples Stores management in the initial reorganization of Gordon Mackay.

We are confident that the Gordon Mackay acquisition, which has resulted in substantial increase in assets per share of Peoples Stores, will also add considerably to its earnings.

In connection with the Gordon Mackay acquisition, Peoples Stores has issued a further 209,489 common shares, bringing its total issued shares up to 1,439,489. Accordingly, the percentage of such shares now held by your company has been reduced to 38%.

ST. MICHAEL SHOPS OF CANADA LIMITED. Peoples Stores recently announced that it has agreed to form a jointly owned company with Marks and Spencer Limited of the United Kingdom to open and operate a number of shops in Canada under the name "ST. MICHAEL". The new shops will sell Marks and Spencer products in Canada under the well known "ST. MICHAEL" name. It is expected that a minimum of five shops will be opened in the current financial year.

UNAS INVESTMENTS LIMITED

UNAS INVESTMENTS LIMITED is a closed-end investment company which at December 31, 1971, had a total net asset value in excess of \$16,800,000. In the past, the policy of UNAS had been to invest in a large number of quoted and unquoted securities. Following the initial investment in UNAS by your Company, its policy has been revised and its assets will now be directed into a smaller number of selected investments or acquisitions. In implementing this policy, many of the securities, both listed and unlisted, have been sold and approximately \$10 million realized during the period October 1971 through April 1972, and one major investment has been made, namely a 28% holding in Alliance Building Corporation Limited.

ALLIANCE BUILDING CORPORATION LIMITED is a successful real estate development and investment company listed on the Toronto and Canadian Stock Exchanges. It holds a portfolio of land in the Toronto area and rental income investments include industrial, office and shopping centre properties.

Alliance has grown rapidly since it became a public company in 1969 and since the investment in the company was made by UNAS in December 1971, its shares have increased substantially in value.

Alliance has recently contracted to purchase Duffins Creek Estates Ltd. and associated companies for approximately \$6 million. These companies own 950 acres of land in the town of Ajax, 20 miles east of Toronto and a number of income-producing investment properties. This acquisition increases substantially the assets of Alliance and should considerably improve its earnings potential.

STANLEY BROCK CANADA LIMITED

In 1971 the laundry and dry cleaning supplies and equipment distribution business assets and operations were transferred to a newly formed wholly-owned subsidiary, Stanley Brock Canada Limited. During the year the assets actually employed in this business were reduced by strict financial control and summary financial data for this company's operations in 1971 are set out in note 2 to the consolidated financial statements.

SLATER, WALKER OF CANADA LIMITED

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1971 (note 1)

ASSETS

INVESTMENTS (notes 2 and 3)

Associated companies:

Shares, at equity (approximate quoted market value \$9,280,000)	\$ 8,457,732
Advances	21,192

Unconsolidated subsidiary companies:

Shares, at equity	47,338
Advances	1,077,747

9,604,009

CASH	155,090
----------------	---------

TRADING SECURITIES, at cost (approximate quoted market value \$845,000)	620,571
---	---------

OTHER	269,039
-----------------	---------

\$10,648,709

LIABILITIES

DEMAND LOANS FROM BANKS (note 4)	\$ 5,025,000
--	--------------

DEMAND LOAN FROM AFFILIATED COMPANY	862,245
---	---------

ACCOUNTS PAYABLE AND ACCRUED CHARGES	143,158
--	---------

6,030,403

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 5)

Authorized:

1,600,000 3% non-cumulative redeemable preferred shares par value 50¢

2,000,000 common shares without nominal or par value

Issued:

846,450 common shares	3,030,500
---------------------------------	-----------

RETAINED EARNINGS (note 6)	1,587,806
--------------------------------------	-----------

4,618,306

\$10,648,709

On behalf of the Board:

ROBERT SMITH, *Director*

J. PEARCE BUNTING, *Director*

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1971 (note 1)

E A R N I N G S

FINANCIAL ACTIVITIES

Financial income including fees, interest and dividends	\$ 49,500
Equity in net earnings of UNAS Investments Limited	40,986

90,486

INDUSTRIAL ACTIVITIES (note 2)	106,839
--	---------

197,325

EXPENSES	84,390
--------------------	--------

EARNINGS BEFORE NET GAIN ON DISPOSAL OF INVESTMENTS	112,935
---	---------

NET GAIN ON DISPOSAL OF INVESTMENTS	26,414
---	--------

EARNINGS FOR THE YEAR (note 7)	\$ 139,349
--	------------

EARNINGS PER SHARE (note 8)

Before net gain on disposal of investments	24.0¢
--	-------

Net gain on disposal of investments	5.6¢
---	------

For the year	29.6¢
------------------------	-------

R E T A I N E D E A R N I N G S

BALANCE January 1, 1971 (note 6)	\$ 1,549,743
--	--------------

EARNINGS FOR THE YEAR	139,349
---------------------------------	---------

1,689,092

DEDUCT

Preferred stock dividend paid out of tax-paid undistributed income (subsequently redeemed) (note 5)	70,538
--	--------

Expenses of shares issued (net of \$5,000 income taxes)	20,109
---	--------

Dilution of equity in net assets of UNAS Investments Limited resulting from exercise of share options	10,639
--	--------

101,286

BALANCE December 31, 1971 (note 6)	\$ 1,587,806
--	--------------

(See accompanying notes to consolidated financial statements)

SLATER, WALKER OF CANADA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1971 (note 1)

SOURCE OF INVESTMENT FUNDS

Demand loans	\$ 5,887,245
Common shares issued, less net share issue expenses	2,801,391
Sale of assets to unconsolidated subsidiary company	1,362,747
Earnings for the year	139,349
Other (net)	102,084
	<u>10,292,816</u>

Deduct

Purchase of trading securities	620,571
Redemption of preferred shares	70,538
	<u>691,109</u>

FUNDS USED FOR INVESTMENTS	9,601,707
Add net increase in equity in associated and unconsolidated subsidiary companies	2,302
INVESTMENTS AT DECEMBER 31, 1971	<u>\$ 9,604,009</u>

(See accompanying notes to consolidated financial statements)

AUDITORS' REPORT

To the Shareholders of
Slater, Walker of Canada Limited:

We have examined the consolidated balance sheet of Slater, Walker of Canada Limited and its consolidated subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Slater, Walker of Canada Limited and its consolidated subsidiaries as at December 31, 1971 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the changes described in notes 1 and 2, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada.
March 16, 1972.

ARTHUR YOUNG, CLARKSON, GORDON & CO.,
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1971

1. BUSINESS OF THE COMPANY

Early in 1971 control of the Company was acquired by Slater, Walker Securities Limited, London, England, through a wholly-owned Canadian subsidiary, and the Company's name was subsequently changed from Stanley Brock Limited to its present form.

Effective August 1, 1971 the dry cleaning and laundry equipment and supplies distribution business formerly carried on by the Company was transferred to a newly incorporated wholly-owned subsidiary, Stanley Brock Canada Limited. The Company then changed the nature of its business from that of an industrial enterprise to that of an investment management and holding company. The accompanying financial statements reflect this change, as described in note 2.

Financial information for 1970 is not considered to be comparable, and has therefore not been included in the financial statements. It is however, summarized in note 2.

2. BASIS OF CONSOLIDATION

In 1970 and prior years the Company and all of its subsidiaries were engaged in industrial activities, and the financial statements accordingly consolidated the accounts of all of the companies. As a result of the change in 1971 in the nature of the Company's business, as described in note 1, the accompanying financial statements consolidate the accounts of the Company and its investment subsidiaries only, all of which are wholly-owned. Investments in industrial subsidiaries and in associated companies are accounted for on the equity method whereby the investments are initially recorded at cost and the carrying amounts are (a) adjusted to recognize the Company's share of earnings or losses and capital transactions since acquisition and (b) reduced by dividends received.

This change in consolidation practice, and certain other revisions in financial statement presentation designed to reflect the altered nature of the Company's business, have had no effect on earnings reported for the year.

The Company's investment in shares of associated and unconsolidated subsidiary companies at December 31, 1971 consisted of the following:

	<u>Percentage ownership</u>	<u>Cost</u>	<u>Increase (decrease) in equity since acquisition</u>	<u>Carrying value at equity</u>
Associated companies:				
UNAS Investments Limited (note 3 (a))	22	\$3,404,559	\$ 443	\$3,405,002
Peoples Department Stores Limited (note 3 (b))	44	5,092,189	(39,459)	5,052,730
		<u>\$8,496,748</u>	<u>\$ (39,016)</u>	<u>\$8,457,732</u>
Unconsolidated subsidiaries:				
Stanley Brock Canada Limited	100	\$ 20	\$ 25,736	\$ 25,756
City Chemical & Products Company Limited	100	6,000	15,582	21,582
		<u>\$ 6,020</u>	<u>\$ 41,318</u>	<u>\$ 47,338</u>

SLATER, WALKER OF CANADA LIMITED

Financial data relating to the Company's industrial activities is summarized below:

FINANCIAL POSITION

	December 31	
	1971 (1)	1970 (2)
Current assets	\$1,447,289	\$1,899,306
Current liabilities	418,895	464,098
Working capital	1,028,394	1,435,208
Fixed assets, at cost less accumulated depreciation	26,817	205,760
Other assets	63,147	117,775
Due to parent company	(1,077,747)	
Net assets	<u>\$ 40,611</u>	<u>\$1,758,743</u>

RESULTS OF OPERATIONS

	1971			
	January 1 - July 31 (3)	August 1 - December 31 (1)	Total	1970 (2)
Sales and sundry income . . .	<u>\$2,562,922</u>	<u>\$1,839,886</u>	<u>\$4,402,808</u>	<u>\$4,570,138</u>
Operating profit before the following deductions . . .	\$ 98,463	\$ 88,358	\$ 186,821	\$ 217,804
Depreciation	(13,105)	(32,677)	(45,782)	(27,896)
Income taxes	<u>(18,000)</u>	<u>(16,200)</u>	<u>(34,200)</u>	<u>(86,407)</u>
Net earnings for the period . .	<u>\$ 67,358</u>	<u>\$ 39,481</u>	<u>\$ 106,839</u>	<u>\$ 103,501</u>

(1) Stanley Brock Canada Limited and City Chemical & Products Company Limited, combined.

(2) The former Stanley Brock Limited, consolidated.

(3) The Company's industrial division prior to sale to new subsidiary.

3. ACQUISITIONS

(a) UNAS Investments Limited:

On September 20, 1971 the Company purchased for cash a 22% interest in UNAS Investments Limited, a closed-end investment company. This investment has been accounted for on the equity basis.

Subsequent to the year-end this investment was increased to a 66% interest through an offer made on December 28, 1971 giving the UNAS shareholders the option of receiving either \$18 cash per share or three common shares of the Company for two common shares of UNAS. This additional acquisition will also be treated on a purchase basis of accounting, and the accounts of UNAS will be consolidated with those of the Company in 1972. The excess of the Company's interest in the net tangible assets of UNAS over the purchase price of the investment will be carried in the consolidated accounts as a separate item in shareholders' equity.

The following acquisition equation reflects both the 22% interest in UNAS acquired during the year and the additional interest acquired in 1972, based on consolidated financial statements of that company at December 31, 1971:

	(\$'000)
Tangible assets at book value, which is equivalent to estimated fair value	\$ 18,048
Liabilities	1,209
Net tangible assets	<u>16,839</u>
Company's interest therein (approximately 66%)	\$ 11,144
Less portion thereof relating to the Company's 22% interest in unrealized appreciation since September 20, 1971 of investments held by UNAS	<u>112</u>
Company's equity interest in net tangible assets at dates of acquisition	11,032
Excess of interest in net tangible assets over purchase price of investment	<u>649</u>
Purchase price	<u><u>\$ 10,383</u></u>
Satisfied as follows:	
Cash paid in 1971	\$ 3,405
Cash paid in 1972	3,087
Issue in 1972 of 324,268 common shares of the Company for a consideration of	<u>3,891</u>
	<u><u>\$ 10,383</u></u>

The cash payment in 1972 was financed by the sale in that year of 296,579 common shares of the Company for \$3,452,180 cash. The balance of the proceeds was used for payment of underwriters' commissions and share issue expenses.

(b) Peoples Department Stores Ltd:

During the period September 14 to November 10, the Company acquired 527,656 common shares of Peoples Department Stores which gave it a 44% equity interest in the net tangible assets of the Company as follows (based on unaudited financial statements at October 31, 1971):

	(\$'000)
Tangible assets at book value which is equivalent to estimated fair value	\$ 6,823
Liabilities	1,559
Net tangible assets	<u>5,264</u>
Company's equity interest in net tangible assets (44%)	\$ 2,316
Excess of total purchase price of investment over interest in net tangible assets	<u>2,776</u>
Total purchase price paid in cash	<u><u>\$ 5,092</u></u>

The Company accounts for this investment on the equity method, and will recognize its share of Peoples Stores' earnings commencing in 1972. The excess of the total purchase price of the investment over the Company's interest in net tangible assets will not be amortized unless its value is impaired. Dividends of \$39,459 were received during 1971 and have been credited to the carrying value of the investment.

Pursuant to an agreement dated December 1, 1971 and a subsequent public offer dated February 18, 1972, Peoples Stores acquired over 99% of the Class B Shares of Gordon Mackay & Stores Limited for an aggregate consideration of \$5,439,800 consisting of \$2,180,600 cash and 194,580 shares of Peoples Stores.

SLATER, WALKER OF CANADA LIMITED

4. DEMAND LOANS FROM BANKS

Investments in shares of the associated companies have been pledged as collateral security for bank loans.

5. SHARE CAPITAL

During 1971 the Company:

- (a) Obtained supplementary letters patent subdividing the authorized and issued common shares on a 3 for 1 basis and increasing the authorized share capital to 2,000,000 common shares.
- (b) Issued 564,300 common shares for cash of \$2,821,500 under a rights offering which expired on August 30, 1971.
- (c) Issued and subsequently redeemed at par 141,075 preferred shares as a stock dividend paid out of tax-paid undistributed income.

Changes in the Company's issued share capital since the year end are set out in note 3 (a).

6. RETAINED EARNINGS

Tax-paid undistributed income, previously shown separately, has been included in the retained earnings account as follows:

Balance at January 1, 1971	\$155,388
Balance at December 31, 1971	84,850

Under Section 62 of the Canada Corporations Act, distribution of retained earnings at December 31, 1971 is restricted except to the extent that such earnings exceed \$728,888.

7. DEPRECIATION, INTEREST AND INCOME TAXES

Earnings for the year have been determined after deducting the following expenses:

Depreciation	\$15,195
Interest	13,691
Income taxes	10,500

8. EARNINGS PER SHARE

Earnings per share have been computed on the basis of the weighted average number of shares outstanding during the year adjusted for the 1971 subdivision of common shares as described in note 5 above.

9. STATUTORY INFORMATION

Aggregate remuneration paid to directors and officers of the Company during 1971 was as follows:

Number of directors (including 9 former directors)	14
Remuneration as directors	\$1,350
Number of officers (including 4 former officers)	9
Remuneration as officers	\$28,949
Officers who are also directors	5

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

	<u>Percentage Owned at Year End</u>
INVESTMENT HOLDING	
UNAS Investments Limited	22
COMMERCIAL AND INDUSTRIAL	
Stanley Brock Canada Limited	100
Peoples Department Stores Ltd.	44

- NOTES:
1. These were the principal subsidiary and associated companies at the year end. Details of other subsidiary companies are omitted as they are of no significance.
 2. Subsequent to the year end, the Company increased its holdings in UNAS Investments Limited to 66%.
 3. Subsequent to the year end, Peoples Stores issued additional common shares in connection with the public offer to acquire the balance of the equity shares of Gordon Mackay which reduced the Company's holding in Peoples Stores to approximately 38%.

MAJOR INVESTMENTS OF UNAS INVESTMENTS LIMITED

	<u>Percentage of Common Shares Owned</u>
Inter-City Gas Limited	30
Alliance Building Corporation Limited	28

SLATER, WALKER OF CANADA LIMITED

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET DECEMBER 31, 1971

ASSETS

INVESTMENTS

Associated company:

Shares, at equity (market December 31, 1971 - \$6,068,000;
March 31, 1972 - \$9,219,000) \$ 5,052,730

Unconsolidated subsidiary companies:

Shares, at equity 47,338
Advances 1,077,747

Portfolio:

Quoted securities, at cost (approximates market at December
31, 1971; March 31, 1972 - \$12,447,000) \$10,473,108
Unquoted securities, at cost 9,080,796
19,553,904
Less provision for diminution 2,461,397 17,092,507

23,270,322
154,670

CASH

TRADING SECURITIES, at cost (market December 31,
1971 - \$944,200; March 31, 1972 - \$1,159,600)

715,344

ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

663,862

OTHER

353,942

\$25,158,140

LIABILITIES

DEMAND LOANS FROM BANKS - secured \$ 5,570,606

DEMAND LOAN FROM AFFILIATED COMPANY 862,245

ACCOUNTS PAYABLE AND ACCRUED CHARGES 666,832

PROVISION FOR RETIREMENT ALLOWANCES 117,549

7,217,232

MINORITY INTEREST 5,695,092

SHAREHOLDERS' EQUITY

SHARE CAPITAL 10,373,896

RETAINED EARNINGS 1,222,452

EXCESS OF ESTIMATED FAIR VALUE OF NET ASSETS ACQUIRED
OVER COST OF SHARES OF SUBSIDIARY COMPANY

649,468

12,245,816

\$25,158,140

The above figures are based on the audited consolidated balance sheet of the Company at December 31, 1971 adjusted to reflect the acquisition early in 1972 of an additional 44% interest in UNAS Investments Limited and the issuance of 620,847 common shares for a total consideration of \$7,343,396 and to consolidate the accounts of UNAS at December 31, 1971 in accordance with the information set out in note 3(a) to the audited consolidated financial statements.

The March 31, 1972 market values shown have been determined by valuing the securities held on December 31, 1971 at the March 31, 1972 market in the case of securities still on hand at that date and at sale proceeds in the case of securities sold in the quarter.

